Discussion: “Sectoral Labour Market Effects of the 2006 FIFA World Cup” by Arne Feddersen and Wolfgang Maennig

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Labour market effects large sports event

- Major sports events are costly (2006 World Cup: €3.2 billion)
- Studies find little benefit ex post, ...
- ... but effect may be too small for aggregate data

Contributions of this paper:

- Disaggregated (regional-industry) data
- Flexible (non-parametric) DD-RDD approach

Results

1. No or small effects on employment in aggregate
2. Positive effect hospitality sector, negative effect on construction
Result 1: No or small employment effects 2006 World Cup

- Hard to believe! (cf 1992 Olympics Barcelona)

1. How small is small?

2. DD-RDD methods designed to argue there was an effect

Result 2: Sectoral effects

- Positive effect on hospitality sector seems plausible

- Negative effect construction:
  Does public expenditure more than crowd out private expenditure?
How small is small?

- To argue the effect is small, we need a benchmark
  - Rejecting an hypothesis is informative, failing to reject is not!
  - Statistically insignificant does not mean small (economics of *Oomph*)

- Some reasonable benchmarks
  - Do benefits exceed costs (for the tax payer)?
  - Does the project have positive net present value?

- How small was the effect of the 2006 World Cup?
  - Kurscheidt et al. 2008: benefits = €3.2 billion (costs = €3.2 billion)
    - Fact that this is ‘only’ 0.14% of GDP seems irrelevant
  - This paper: 2,000 additional jobs in hospitality
    - Is this really “a far cry from” the “up to 10,000” extra jobs predicted?
DD-RDD designed to argue there was an effect

- **D**: Compare counties with stadium (Berlin) to counties without (Düsseldorf)
  - Underestimates the effect if Düsseldorf reaps some benefits (spillovers)
  - Overestimates the effect if Berlin had ex ante higher employment

- **DD**: Compare Berlin after-before to Düsseldorf after-before (eq 3, 7)
  - Underestimates the effect if preparations generated jobs (anticipation)
  - Overestimates the effect if Berlin had ex ante higher job growth

- **DD-RDD**: county-specific time trends (eq 12)
  - Underestimates the effect a lot if preparations generated jobs
DD-RDD underestimates the effect
DD-RDD designed to argue there was an effect

- **D:** Compare counties with stadium (Berlin) to counties without (Düsseldorf)
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  - Firms operate in neighbouring counties, labor migration
  - ‘Feel good’ effect, improved reputation of the country
A suggestion

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  - ‘Feel good’ effect, improved reputation of the country

- Anticipation effects
  - Rome was not built in one day
  - Neither was the stadium in Cologne

- Why not use tradable industries as a control group?
  - Production of cars, machinery, chemicals not affected by the World Cup
  - More credible source of identifying variation than time or geography